

Function 700: Veterans Benefits and Services

Function 700 includes the programs of the Department of Veterans Affairs (VA) such as veterans compensation and pensions, education and rehabilitation benefits, medical care, and housing programs.

Discretionary Programs

Funding for Veterans Medical Care — The budget provides \$35.8 billion for appropriated veterans programs, which is \$2.6 billion above the enacted amount for 2006 and \$1.5 billion above the amount needed to maintain purchasing power at the 2006 level. Beyond 2007, however, veterans funding is cut in almost every year. Over five years, the budget cuts funding \$10.1 billion below the level estimated to maintain purchasing power at the 2006 level. Almost all appropriated funding for veterans goes to provide medical care and hospital services.

Total Appropriated Funds for Veterans

(Budget Authority in Billions)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Total</u> <u>2007-11</u>
2007 Budget Request	35.8	34.4	34.1	33.4	33.6	171.3
Current Services Level	<u>34.3</u>	<u>35.2</u>	<u>36.3</u>	<u>37.3</u>	<u>38.4</u>	<u>181.5</u>
Amt. Above/Below Current Services	+1.5	-0.8	-2.2	-3.9	-4.7	-10.1

Note: Numbers may not add due to rounding.

Increases Fees on Veterans for the Fourth Straight Year — The budget imposes a \$250 annual enrollment fee for VA health care services and increases pharmacy co-payments from \$8 to \$15 for Priority 7 and Priority 8 veterans. These are veterans without service-connected disabilities rated above zero percent who have incomes above \$26,903. Enrollment fees and drug co-payment increases were proposed in the last three budgets and Congress rejected them each time. The budget also eliminates the practice of offsetting veterans co-payments by the amount paid by third-party health plans. This will result in veterans paying higher co-payments up-front, with no guarantee that third-party insurers will reimburse them. The VA anticipates an increase in collections of \$191 million over five years from this change. All together, the budget assumes collections totaling \$544 million in 2007, and \$2.6 billion over five years from raising fees on veterans.

Reduces the Number of Veterans in the VA Health Care System — The Department of Veterans' Affairs estimates that the proposed fee increases will reduce the number of Priority level 7 and 8 veterans in the VA health care system by nearly 200,000, or 16 percent, as compared to the 2006

level. The budget assumes \$251 million in savings for 2007 as a result of this effort to limit the number of veterans in the VA health care system.

Continues Denial of New Priority 8 Veterans — On January 17, 2003, the VA stopped enrolling new Priority 8 veterans for medical care. The President’s budget continues this policy. According to the VA, this restriction has prevented 1 million veterans from enrolling in the VA health care system.

Assumes a Slight Decrease in the Number of Iraq and Afghanistan War Veterans — The VA estimates that over 109,191 veterans of the Iraq and Afghanistan wars will be treated in 2007. This reflects a decrease of 1,375 below the number of these new war veterans the VA estimates it will treat in 2006.

Assumes Efficiencies to Partially Offset Health Care Costs — The 2007 budget assumes the VA will achieve management efficiencies totaling \$1.1 billion to offset the cost of health care. This is an increase of \$197 million over the level of efficiency-related savings assumed in 2006. This year marks the fifth year that the budget assumes management efficiencies to help offset health care costs. The GAO recently reviewed VA-reported management efficiencies for 2003 and 2004 and concluded that “...VA lacks adequate support for the \$1.3 billion it reported as actual management efficiency savings achieved for fiscal years 2003 and 2004 because it lacked a sound methodology and adequate documentation for calculating and reporting management efficiency savings.”⁴

Cuts Funding for Medical and Prosthetic Research — The budget cuts \$13 million from medical and prosthetic research activities and reduces personnel. Compared with 2006, the budget reflects a reduction of 286 full time equivalents (FTEs). The VA research and development program benefits all veterans, but it is particularly important for new veterans – those returning from the wars in Iraq and Afghanistan. The R&D program includes work to improve treatment of post-traumatic stress disorder, blast related injuries, and Gulf War related illness.

Provides Less Funding for CARES than Previously Recommended — The Veterans Health Administration budget proposes \$307 million for major construction for 2007, a decrease of \$232 million below the enacted amount for 2006. The VA has previously advocated investing \$1 billion per year in medical construction over five years to implement the Capital Asset Realignment for Enhanced Services (CARES) program.

⁴GAO report, “Limited Support for VA’s Efficiency Savings,” February 1, 2006.